



Transportation Challenges: Financing Capacity

STB Commissioner Francis P. Mulvey

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Transportation Supply

Transportation Capacity is Vital to Growing Economy –
the Soviet Example

Historic U.S. Pattern –

Supply Preceded and Shaped Demand

Current Pattern –

Demand for Transportation Exceeds Available Supply

Responding to Crises



The Growing Capacity/ Congestion Problems

TTI Annual Studies Document Worsening Problem

Congestion caused: 3.7 billion hours of travel delay
and 23 billion gallons of wasted fuel consumption

Travel during peak hours takes 40% longer than
during off peak; it took 13% longer in 1982



Growing Capacity/ Congestion Problem

More than 2/3s of all travel during peak periods occurs in congested conditions compared to 1/3 in 1982

Roughly 60% of major roads are congested at the peak

Length of congested period has grown from 4.5 to 7 hours

Travel time reliability is greatly reduced

And it will get worse



Growing Capacity/ Congestion Problem

By 2025

Population will increase by 26%

GDP will approximately double

Total passenger travel will rise 72%

Truck tonnage will grow 75% by 2020



Growing Capacity/ Congestion Problem

Investment in the Transportation Infrastructure is inadequate to meet growing demand

Require 5000 additional lane miles of freeways and major roads annually just to stay even

Major transportation projects take 10-15 years from conception to completion

More than 50% of spending went to system preservation



Growing Capacity/ Congestion Problem

Traffic Congestion Problem is Multimodal

Ports dealing with larger vessels and rapidly expanding international trade

Rail capacity problem is of more recent vintage

Economic regulation fostered excess capacity, especially for the railroads



The Developing Rail Capacity Crisis

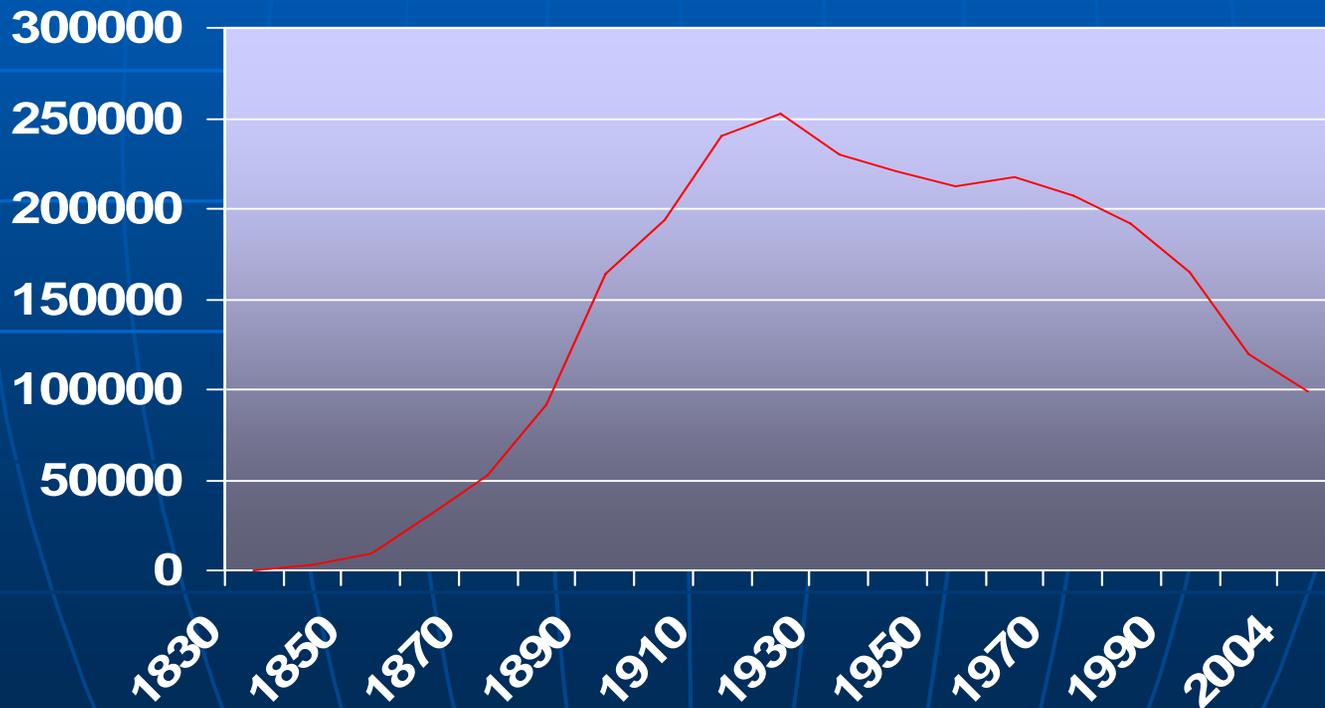
Railroads strove for years to eliminate excess infrastructure and labor force

But continuous increase in traffic begins to absorb excess capacity

Capacity-constrained rail network is more vulnerable to stochastic events such as hurricanes and derailments

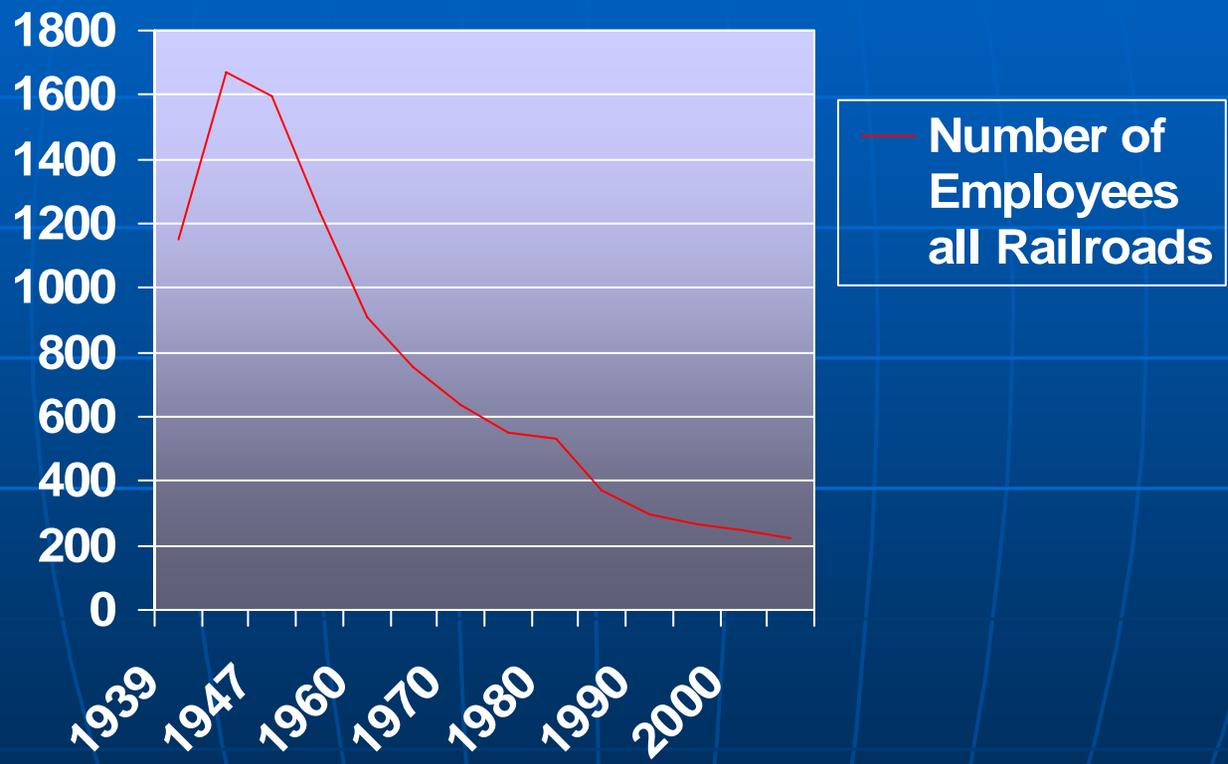


Growth and Decline of Railroad Mileage





Railroad Employment 1939-2003 (in thousands)





The Genesis of the RR Capacity Problem

Improved earnings but railroads still are not revenue adequate at least as defined by the STB

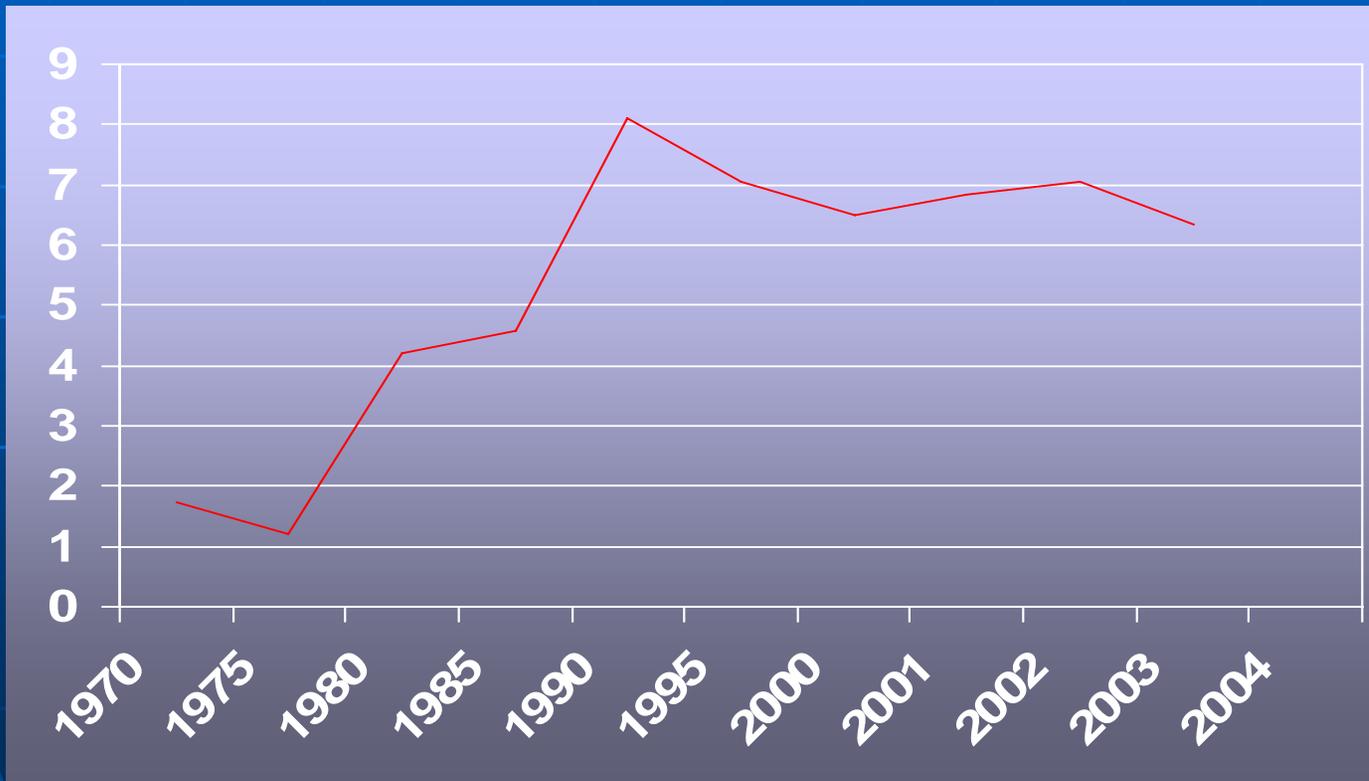
Railroads often “punished” by Wall Street for making capital investments

Railroads often found that infrastructure investments failed to generate sufficient income

Rail infrastructure is long-lived while demand increases can be short-lived

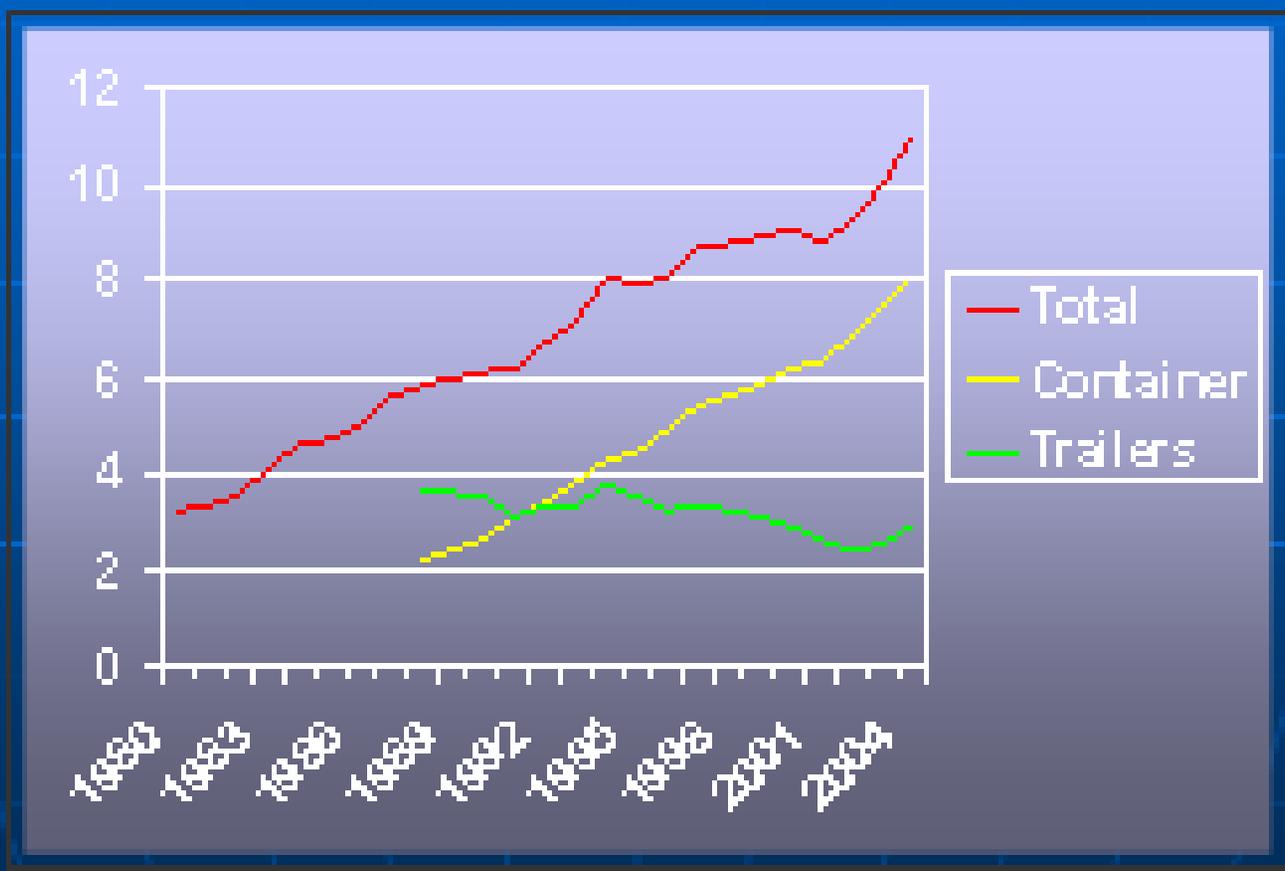


Railroad ROI 1970-2003





Intermodal Traffic 1980-2004





Short term Capacity Problems

Expanding Economy Led to Surge in Imports

Large Grain Harvests in 2003 and 2004

Growth in Export Coal Market

Crew Shortages due to Wave of Retirements

Equipment Shortages due to Reduced Purchases

Cutbacks in Capital Spending Programs

Tight Capacity in Trucking Industry due to Driver Shortages, Higher Fuel Costs, HOS Rules, etc.



Carrier Responses to Recent Capacity Problem

More Cars and Locomotives Bought and Leased

Accelerated Hiring and Training of Train Crews

Some Infrastructure Expansion Efforts

Price Rationing of Available Capacity

Railroads Choosing who they will Serve and the
Common Carrier Obligation



Long-Term Rail Capacity Constraint Factors

Demand for Freight Rail Transport Projected
to Grow by 60%-70% over Next Two Decades

Railroads' Inability to Earn Cost of Capital

Pressure from Wall Street to Reduce Capital Costs
and Improve ROI

Long-Term Contracts Limit Railroad
Pricing Flexibility

Railroads tend to Bid Long Term Contract
Rates Down to Long Run Marginal Costs



Approaches to the Transportation Congestion Problem

Build more Physical Infrastructure

Adopt technological innovations

Make better use of existing facilities

Promote shipper and traveler behavioral changes

All have potential but all limits



Infrastructure Capacity

SAFETEA-LU— 2 years late and \$90 billion short
\$286.5 billion over 6 years is 38% more than was
provided for in TEA-21 back in 1998 but far short of
\$375 billion estimated need

Contains a rail title but far from intermodal legislation

Expands the RIFF program to \$35 billion and
makes shippers eligible



Rail Capacity Investment

Railroads Support Limited Public Sector Role
Public/Private Partnerships (Alameda Corridor,
CREATE)

Railroad Trust Fund Concept

Investment Tax Credits

- Short Lines and the 286K lb. Car Problem
- Class I Access and Limited Fiscal Capacity



Need to Focus on Freight Issues and Intermodal Solutions

Need to Increase the visibility of freight issues

Need to deal with limitations on Federal funding
that dedicates \$ to a single mode or non-freight
purposes

Need A National Transportation Policy that
is intermodal in perspective

Thank You, Any Questions?

